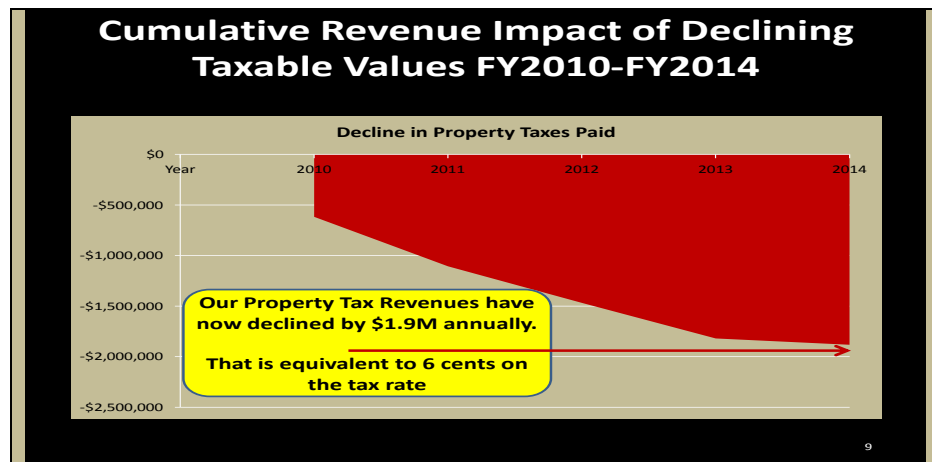


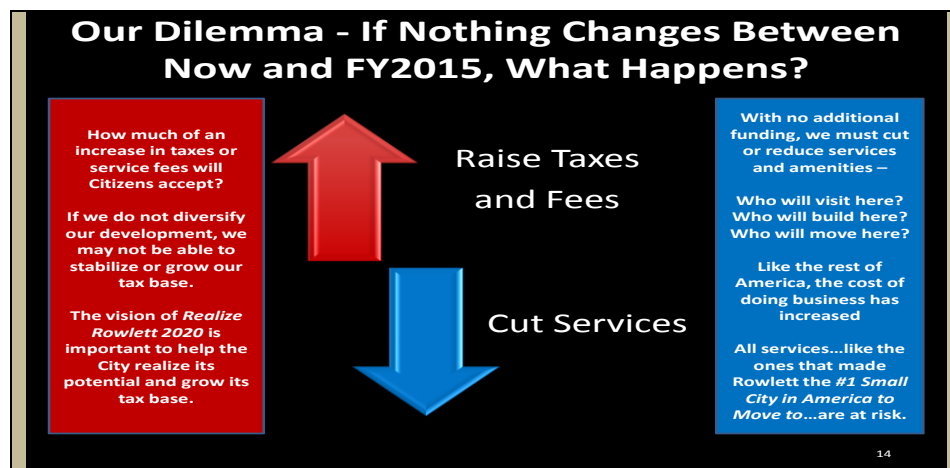


Frequently Asked Questions From the 2014 *My Rowlett* Campaign

1. **What is the Rowlett. My Community. My Money. My Choice Campaign?** The *My Rowlett* Campaign is a community based program to engage our citizens in an honest conversation about what our future looks like. The purpose of the program is to 1) educate our citizens on the value of the programs and services they receive for their tax dollar and 2) gauge the willingness of our citizens about possible service reductions or increases in the property tax rate.
2. **Why is the City considering reducing services or increasing taxes?** The simple answer is that we cannot sustain the levels of service we currently provide to our Citizens without additional funding. Since Fiscal Year 2010, our property tax revenues have declined \$1.9 million dollars. As you can see from the chart below, that is the equivalent of 6 cents on our property tax rate.



After cutting employees, operating costs and deferring maintenance over the past 6 years to accommodate revenue decline, we have a dilemma. Our infrastructure (streets, alleys, parks, etc.) are aging. Therefore, the question we have to ask ourselves now, as described in the chart below, is this...if nothing changes between now and FY2015, what happens?



3. **Why can't the City bring more business into Rowlett and shift some of the taxpayer burden off of residential properties?** Rowlett is already over 65% built-out. And, 81% of our taxable value is residential. Furthermore, based on our land use plan, only 10% of the remaining land left to develop is zoned commercial. Therefore, we will always be primarily a residential community. That means that while we will increase our commercial tax base over time, it won't be at a level necessary to significantly shift the tax burden. In addition, although there are several promising developments on the way, it will take years for those developments to completely build out and provide much needed tax revenue to the City.
4. **How much will the average homeowner pay if the City increases the property tax rate?** The average taxable value of our residential properties for the current fiscal year is \$133,429. Based on that value, each penny will add \$13.34 annually or about 4 cents a day. For reference, we have added the table below to show the amount of taxes the average homeowner would pay per penny tax increase. In addition, we've also included approximately how much revenue each penny will generate to the City.

Penny on the Tax Rate	Annual Cost to Average Rowlett Homeowner	Daily Cost to Average Rowlett Homeowner*	Annual Revenue Impact to City
1¢	\$13.34	\$0.04	\$311,650
2¢	\$26.68	\$0.08	\$623,300
3¢	\$40.02	\$0.12	\$934,950
4¢	\$53.36	\$0.16	\$1,246,600
5¢	\$66.70	\$0.20	\$1,558,250
*Note: rounding			

To find out how much each penny of the tax rate currently costs you for your home, find your market value from the appraisal district (Dallas County is www.dcad.org / Rockwall County is www.rockwallcad.com) and [click here](#) for a handy tool to calculate your daily cost. We've included the table below to show you the calculations for the average residential property owner in Rowlett.

<u>Description</u>	<u>Box One</u>	<u>Box Two</u>
	<u>Non Senior/ Non Disabled</u>	<u>Senior or Disabled Person</u>
Total market value of your home per your appraisal district (i.e. Dallas County or Rockwall County)	\$138,429.00	\$138,429.00
Subtract exemptions provided by City of Rowlett:		
• Regular Homestead Exemption (1% of total value/max = \$5,000) - everyone	\$ (5,000.00)	\$ (5,000.00)
• Senior/Disabled Person Tax Exemption – individuals over 65 or formally certified as disabled	\$ 0.00	\$(67,000.00)
This is your Taxable Assessed Value	\$133,429.00	\$ 66,429.00
This is your Annual Cost	= \$996.95	= \$496.34
This is your Total Daily Cost at the current tax rate	= \$2.73	= \$1.36
This is your Daily Cost per Penny of the City of Rowlett's Tax Rate-rounded to the nearest cent	<u>\$0.04</u>	<u>\$0.02</u>

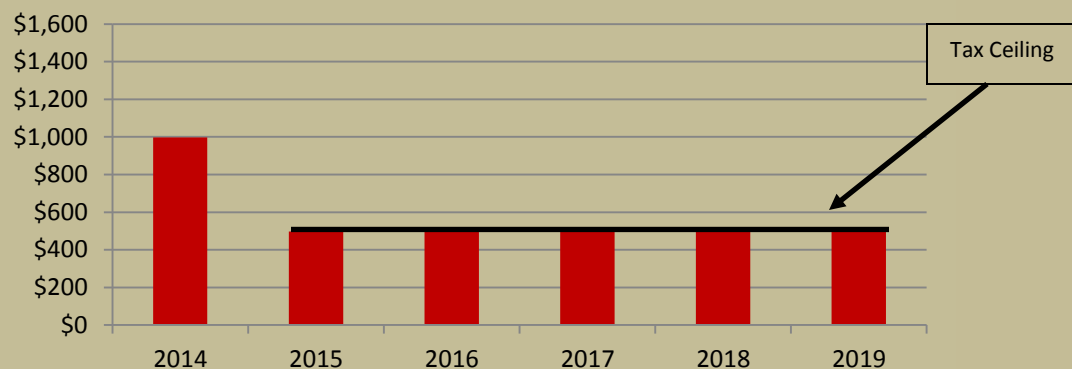
5. **How much of a tax increase is the City considering?** Although the City is still working on developing its budget proposal for the next two years, realistically, it is possible that our shortfall will be equivalent to about 4-6 cents on the tax rate. There are three factors that will influence the final amount.
- An overall increase or decrease in taxable value; and/or
 - The amount of fees increased or cuts identified by staff through its budget scrubbing exercise; and/or
 - Actual services reduced through the budget process this summer.
6. **Will a tax rate increase affect seniors over 65 years of age?** The answer is no. The City of Rowlett is among 7 cities out of 31 in Dallas County that has adopted the *Senior Tax Freeze*. By a constitutional amendment from the State of Texas, any city who adopts this *Freeze* cannot “un-adopt” it later. In addition, the Freeze is based on the amount of annual taxes paid when the senior tax exemption is first awarded. The statute refers to this as the tax “ceiling”. Even if the taxable value increases, seniors who receive this benefit now will “not” pay any additional property taxes to the City beyond the initial tax ceiling they received when they first turned 65.

For example, an individual who is 64 in 2014 and owns a residence with a total market value of \$138,429 would have a taxable assessed value of \$133,429 after receiving the Regular Homestead Exemption of \$5,000. Based on that value, they would pay \$997 in property taxes to the City of Rowlett. When that individual becomes 65 in 2015, they would receive an additional \$67,000 Senior Tax Exemption reducing the total assessed value to \$66,429. The annual property taxes paid would drop by nearly 50%, from \$997 to \$496. In the example below, since the City of Rowlett adopted the *Senior Tax Freeze*, the amount of property taxes paid would cap at \$496 in the future even if the market value increases over time. This is because the *Freeze*, or ceiling, is based on the property taxes paid and not the taxable assessed value as illustrated in the table below.

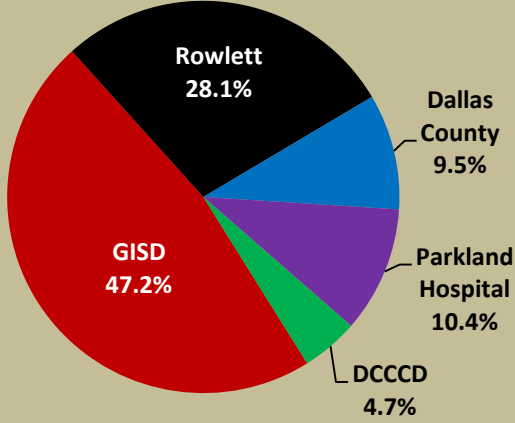
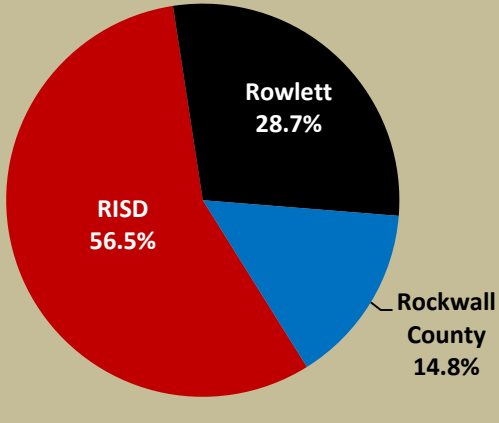
Example Chart

Year	Age	Market Value	Taxable Assessed Value	Annual Property Taxes Paid
2014	64	\$138,429	\$133,429	\$997
2015	65	\$138,429	\$66,429	\$496
2016	66	\$138,429	\$66,429	\$496
2017	67	\$142,582	\$70,582	\$496
2018	68	\$142,582	\$70,582	\$496
2019	69	\$142,582	\$70,582	\$496

Property Taxes Paid-Senior over 65



7. **What is the breakdown of the taxes paid by the Rockwall County taxpayer?** This is a great question and should have been included in the presentation. The City of Rowlett is located in two counties, approximately 1/6 of our taxable value is in Rockwall County and the remaining portion is in Dallas County. While the City's portion of property taxes paid is still about ¼ in both counties, the remaining taxing entities are quite different. The slide below shows the comparison between the two.

Dallas County			Rockwall County		
Taxing Entity	2014 Tax Rate*	Percent of Total Tax Bill	Taxing Entity	2014 Tax Rate*	Percent of Total Tax Bill
Garland ISD	\$1.2533	47.2%	Rockwall ISD	\$1.4700	56.5%
Rowlett	\$0.7471	28.1%	Rowlett	\$0.7471	28.7%
Dallas County	\$0.2531	9.5%	Rockwall County	\$0.3864	14.8%
Parkland Hospital	\$0.2760	10.5%			
DCCCD	\$0.1247	4.7%			
*Per \$100 of Assessed Value			*Per \$100 of Assessed Value		
<p>2014 Tax Rate for Rowlett Residents in Dallas County</p> 			<p>2014 Tax Rate for Rowlett Residents in Rockwall County</p> 		

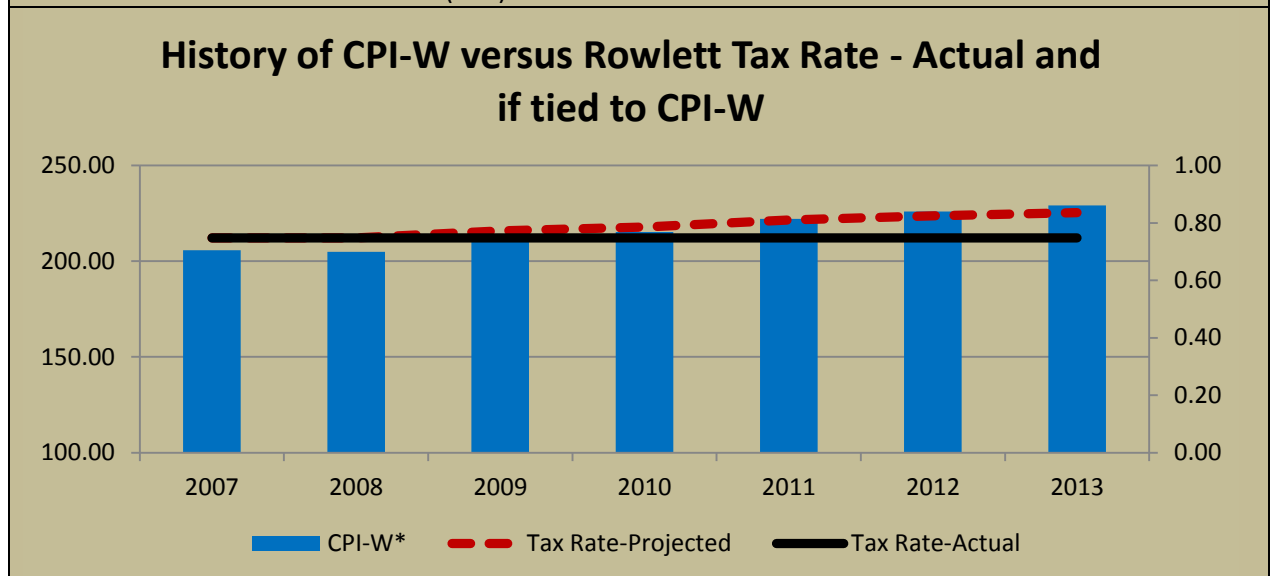
8. **What are we unnecessarily spending and how is that spending prioritized against infrastructure?** As mentioned in the *My Rowlett* presentation, the decline in the City's property tax revenues has reached the level of \$1.9 million since Fiscal Year 2010. As a result, we have reduced employees, cut operating costs, and deferred maintenance, all typical reactions to a revenue decline during a recession. Therefore, there isn't much left in our operating budget that we would consider "unnecessary". Aside from that, the City already sets aside \$6.1 million per year out of its operating funds to repair, maintain or otherwise protect our infrastructure. What that level of funding cannot do is address streets, alleys and other infrastructure that are in such a state of deterioration that they must be "reconstructed" or essentially rebuilt. For that, the City will need to sell general obligation bonds that will require voter approval. This election is currently planned for May 2015 and will provide a much needed source of funding for these types of major expenses.
9. **Does the City have a five year budget?** The City of Rowlett believes that long-term planning is an essential ingredient for success. As a result, we prepare and submit a two-year budget as part of our annual budget process. Based on our Home Rule Charter, the City Council then adopts the first year; therefore, the second year is for planning purposes. In addition to the two-year budget, the City also prepares a five year financial model to assess risk, evaluate policy changes, and evaluate revenue needs based on known or predicted expenses. This five year financial planning model allows us to see how the

decisions we make today will impact our future. In most cases, the model doesn't change the decisions we make today but it allows us to see their future impact. Identifying these impacts today provides opportunities for strategic planning rather than encountering "unintended consequences" of today's decisions in the future. Another benefit that financial planning has provided us is that it allowed us to develop a much needed "bridge" to Fiscal Year 2015, in order to provide time for economic development to begin to occur as a result of the opening of President George Bush Tollway (PGBT) and Dallas Area Rapid Transit (DART) and the completion of the City's comprehensive land use plan, *Realize Rowlett 2020*.

10. **What would happen to the property tax rate if the City tied it to an index such as the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)?** Tying the City's tax rate to an index comes with certain challenges. For example, since 2007, the CPI-W has increased 11.4%, from 205.777 to 229.174. Hypothetically, if we had tied the Rowlett Tax Rate to the CPI-W since 2007, the tax rate in FY2014 would be \$0.836044, or 8.88 cents higher than today and would bring in an additional \$2,770,560 annually (see chart below). For the sake of this analysis, we have assumed that the rate would not have been reduced in 2008 which was the only year that the index declined by roughly ½ of one percent. We would have to also remember that this increase would have occurred during the Great Recession and while overall property values were declining.

Calendar Year	CPI-W*	Percent Change	Tax Rate-Projected under CPI-W	Tax Rate-Actual
2007	205.777	4.3%	0.747173	0.747173
2008	204.813	-0.5%	0.747173	0.747173
2009	211.703	3.4%	0.772308	0.747173
2010	215.262	1.7%	0.785292	0.747173
2011	222.166	3.2%	0.810478	0.747173
2012	225.889	1.7%	0.824060	0.747173
2013	229.174	1.5%	0.836044	0.747173

*Source: Bureau of Labor Statistics (Dec)

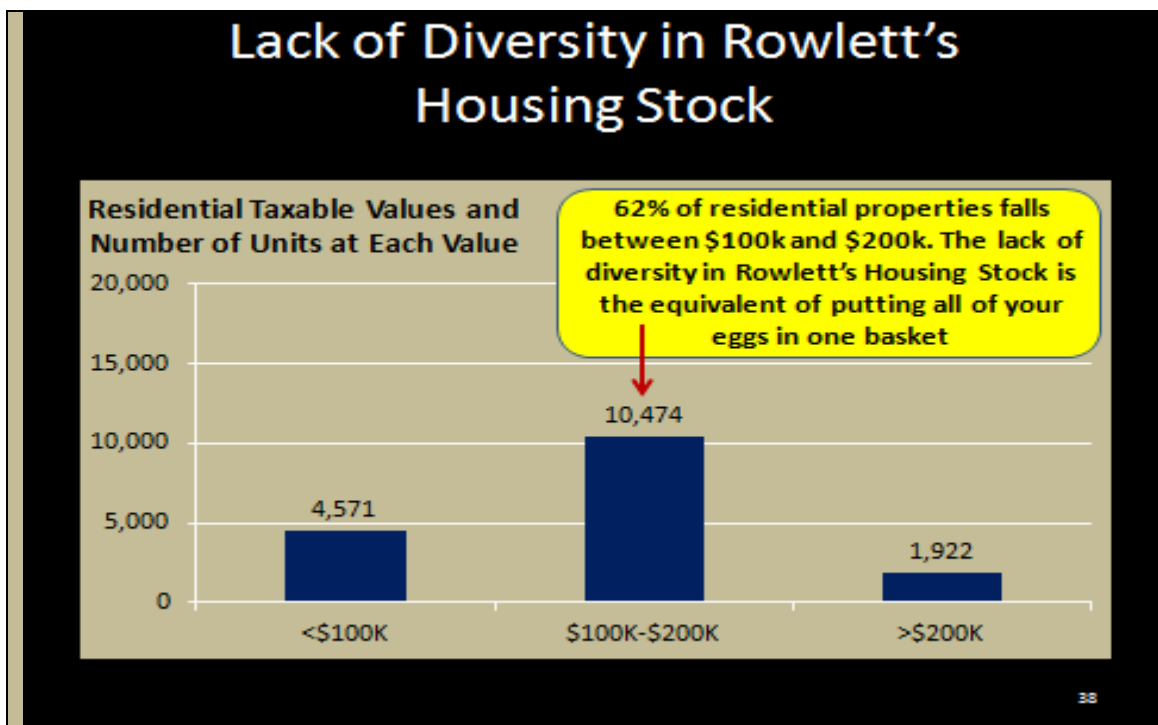


Note: if the City of Rowlett's Tax Rate had been tied to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) since 2007, the current tax rate would be **\$0.836044** per \$100 in Taxable Assessed Value.

11. **How much are we spending on crime because of DART?** While it is difficult to attribute the number of crimes directly associated to the presence of DART, we would note that we have responded to over 128 suspicious person calls in the downtown area since DART began. However, while we believe that most of the calls have been related to DART riders, the number of reported incidences roughly add up to one per week and have had only a minimal impact. Our Police Department continues to monitor the DART traffic very closely to help ensure the safety of our citizens.
12. **Can you explain the correlation about the housing diversity slide?** In the *My Rowlett* presentation, the City has recognized that the lack of diversity in our housing stock is one of the reasons that some DFW cities performed better (i.e. had a lower decrease in property tax values) during the *Great Recession* (roughly 2008-2012) than Rowlett. Some notable examples included Plano, Richardson, Frisco, etc. We note that 62% of our residential properties have a taxable value between \$100,000 and \$200,000 as seen in the charts below.

While not conclusive, the correlation that we have drawn is similar to that of an investment portfolio. The fundamental principle of investing is not to put all of your eggs in one basket. This principle suggests that you provide balance between your investments to include multiple asset types such as stocks, bonds, mutual funds, etc. The idea is that if you buy only stocks and the market declines, you may have all of your portfolio decrease at the same time. However, if you owned both stocks and bonds (or other instruments), one market may decline while the other actually increases, thereby providing a level of stability for your portfolio as a whole.

In Rowlett, since so much of our housing stock was within such a tight market segment (i.e. single-family homes between \$100,000-\$200,000), when the market for that particular type of housing decreased in value, it had a bigger impact on our overall tax value, and therefore, our annual revenue for the City's budget.



13. **How has the City's cost for School Resource Officers increased over the past few years?** The City provides five school resource officers whose primary function is to work at and with the schools. The Garland Independent School District (GISD) pays 50% of the salaries and benefits for these officers for a fiscal year and the City of Rowlett is responsible for the remaining 50%. Last year, we received \$205,579 from GISD for those services at a cost of approximately \$411,159. The net fiscal impact to the City of Rowlett, just for the salaries and benefits, was \$205,580. The City is also 100% responsible for the cost of outfitting, equipping and training those officers - for which we do not receive any reimbursement.

<u>Fiscal Year</u>	<u>Gross Salaries and Benefits</u>	<u>GISD Contribution</u>	<u>Net Cost to Rowlett</u>
2011	\$422,504	\$211,252	\$211,252
2012	\$423,837	\$211,918	\$211,919
2013	\$411,159	\$205,579	\$205,580
2014	\$424,390	\$212,195	\$212,195

14. **Where can I go for more information?** The City's website at www.rowlett.com/myrowlett contains all of the materials provided as part of the campaign. You can get the 4-page flyer, see the powerpoint presentation provided at the community meetings and even take the online survey. In addition, we have also added a calculator that can help you determine how much property taxes you pay to the City on a daily basis. Finally, you can also email us your questions at myrowlett@rowlett.com. We appreciate the time and interest our taxpayers have provided us. Your feedback is invaluable.